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#### ARTICLES:

- (1) Editorial: US ambassador's inspection of abduction site -

international cooperation should be strengthened to give pressure on North Korea

SANKEI (Page 2) (Full)  
March 17, 2006

The visit by US Ambassador to Japan Thomas Schieffer to the site in Niigata City where North Korean agents had abducted 13-year-old Megumi Yokota is a strong expression by the United States that abductions by North Korea can never be tolerated.

It was the ambassador's wish to inspect the abduction site. After touring the school route and the beach where Megumi was abducted with her parents as guides, Schieffer said:

"(The Yokotas' story) is the saddest I have ever heard. I think anyone who has walked these streets as I have just done would be touched. I was able to feel first hand that a dreadful incident had happened here."

We hope that Ambassador Schieffer's feelings will lead to an arousal of US public opinion through President George W. Bush, the ambassador's old friend.

Megumi's mother, Sakie, and others will visit the United States in late April to testify on the abduction issue before a hearing of the House of Representatives. The liaison committee of the families of the missing abductees also have appealed to the UN Commission on Human Rights in Geneva. It will be the first time for them to testify on the abduction issue before the US Congress.

According to accounts by Charles Jenkins, the husband of Hitomi

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Soga, one of the repatriated abductees, North Korea has abducted people from 12 countries. Since Jenkins reveals in his book that Romanians were abducted in Italy, the Italian police will soon dispatch investigators to Japan.

Lebanese women who managed to escaped from North Korea said that a total of 28 foreigners, including three French women, two Dutch women, and three Italian women, were going through agent training. Japan should strengthen cooperation also with these European countries by exchanging information.

At a House of Councillors Budget Committee session on March 15, Chief Cabinet Secretary Shinzo Abe stated: "Japan needs to express its determination to cherish even one person's life." Foreign Minister Taro Aso expressed displeasure with the increasing volume of trade between North Korean and China and between North and South Korea. He stated: "It seems to me that (the two countries) have helped the North. I cannot understand why they do so."

Japan must continue tenaciously its diplomatic effort to urge Beijing and Seoul to cooperate with Japan, the US and Europe to resolve the abduction issue.

The government's special team on the abduction issue plans to set up two sub-committees -- one on law-enforcement and the other on information-collection -- in an effort to step up pressure on the North. Ministries and agencies should strengthen cooperation and give considerable thought to how to settle the abduction issue.

(2) Interview with Lawless: US may continue Futenma talks beyond this month; 7.5-billion-dollar relocation cost reasonable

ASAHI (Page 4) (Full)  
March 17, 2006

The following is a gist of US Deputy Assistant Secretary of Defense Lawless' remarks in the Asahi Shimbun's interview on March 15:

Present situation, problems:

There are three pending issues; 1) relocating Futenma airfield; 2) moving Okinawa Marines to Guam; and 3) returning and realigning bases in Okinawa. We think it's possible to resolve all the issues if we are appropriately willing to do so.

Regrettably, the problem is that their (Japanese) arguments will be narrowed down at once to the small concerns of base-hosting localities involved in relocation. We're concerned that many of our Japanese counterparts cannot focus properly on the strategic needs of our alliance.

It might not be easy for the Japanese government to complete the process of local coordination as shown in our agreement (incorporated in the interim report) of October last year. But that's the Japanese government's responsibility.

Changes to Futenma relocation plan:

When we created the agreement in October last year, the Japanese government had strong confidence it could obtain local understanding. They said there was no problem. That's why we

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agreed. Of course, if the Japanese government asks us to show flexibility, we will respond then. We're ready to positively consider changes to the plan, if such changes do not sacrifice our military capability already agreed to.

Time limit:

We don't necessarily have only 15 days left (until the end of March). We will continue our consultations beyond the time limit, if we need to do so. However, there's no option of taking another 5 or 10 years from now to resolve the problem.

Guam relocation

We plan to create an important hub in Guam consisting not only of the Marines, but also combining the Air Force and the Army. The relocation of the Marines from Okinawa is but one element in this process.

The combined cost of relocating the Marines and building related infrastructure is estimated to be approximately \$10 billion. The US will bear the cost of the entire redeployment, which will greatly exceed that amount. In addition, since the Marines are being transferred there at Japan's request, our asking Japan to cover approximately 75% of that cost is highly appropriate.

US-Japan Security Consultative Committee (2 plus 2 meeting)

We have received a request from Japan to convene a 2 plus 2 meeting. We are preparing to consider it based on the need for one. The US would like to make a judgment on that at the stage when we will be able to reach a comprehensive agreement regarding the entire realignment plan. For the US and Japan to try to reach a final agreement before coordination at Japan's local level is complete would not be an effective approach.

Comprehensive agreement

All aspects of the realignment plan are interrelated and interdependent. We must complete a comprehensive agreement that includes everything in the plan. If we make an agreement on only a part of the plan and put off the rest, such as leaving the Futenma relocation undecided, it would repeat the same mistake as that in the SACO agreement.

Japan should regard as a priority matter accompanying the realignment the consolidation and realignment of the Marines who will remain in Okinawa, but in order to bring that process about, the final agreement needs to contain the Futenma relocation and the transfer to Guam of 8,000 Marines.

What the realignment promotes are basic changes that will bring a

higher level of confidence in the alliance, make it easier for localities to accept it, and be useful for generations to come. This will be the largest-scale revolution in the alliance since the reversion of Okinawa to Japan. For the American forces, this massive change rarely occurs even on a global scale. If we let this opportunity slip away for the moment, it will not be possible to carry it out.

(3) DFAA to punish officials who approved extra survey work off Nago worth 2 billion

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TOKYO SHIMBUN (Page 1) (Full)  
March 17, 2006

The Defense Facilities Administration Agency (DFAA) carried out a geographic survey until last October in connection with the construction of an offshore airport off the Henoko district in Nago City, Okinawa Prefecture, as an alternative facility of the Marine Corps Futenma Air Station. In connection with this project, it was learned yesterday that although the contracts with three companies for the work totaled 840 million yen, the amount actually billed was approximately 2.8 billion yen. The DFAA has decided not to pay the overcharge of about 2 billion yen. The agency has started investigating officials at the Naha bureau suspected of having given unauthorized approval for the extra work.

The three contractors are OYO Corporation, Pacific Consultants Co., and SUNCOH, all based in Tokyo. They were awarded contracts worth 840 million yen from the Naha Defense Facilities Administration Bureau (DFAB).

Soon after starting the survey work, the companies faced protest sit-ins by residents who mounted the platform constructed for the purpose of doing the site survey. In part also because of the effects of typhoons, the work did not make headway as intended. In talks last October, Japan and the US decided to switch the construction site from waters near Henoko to an area on the coastline of Henoko. Following this, the survey was suspended.

The DFAA notified the three contractors yesterday of the cancellation of the contracts. The agency will make payments by the end of this month based on the contracts.

According to an informed source, the three firms have demanded a total of 2.8 billion yen, with the explanation that expenses piled up because of such services as taking their staff to and from the work site by boat everyday. The person said that one contractor is calling on the DFAA to pay the full amount, citing, "we continued to put workboats out to sea upon getting confirmation from DFAA officials," and "There were verbal requests."

Senior officials of the Naha DFAA Construction Department are now suspected of having contacted the DFAA Construction Department and having given approval for continued work that was not included in the contracts.

A senior DFAA official emphasized there was no need for the agency to pay the extra charges, saying: "We cannot pay for work that is not included in the contract documents. I wonder why they did not propose concluding a new contract before adding the extra work."

A spokesman of OYO Corporation said: "I cannot make a comment." A Pacific Consultants spokesman said: "All the facts of the case have yet to be brought to light."

(4) US agriculture minister: Pieces of bone mixed into beef shipments "common" in world

YOMIURI (Page 2) (Full)  
Evening, March 17, 2006

Eiji Hirose, Washington

Referring to the recent discovery of bones prohibited under a bilateral accord due to BSE risk included in a US beef shipment to Hong Kong, US Secretary of Agriculture Mike Johanns stated in a press conference in Washington on March 16: "It is common at any meat-processing plants across the world that pieces of bone are mixed into meat in the slaughtering process." He added: "The plant that shipped beef containing a banned part believes that the chips of bones included in the shipment was within tolerances." Asked about whether the case will affect Japan-US negotiations on Japan's resumption of US beef import, Johanns emphatically said: "I do not think the issue will affect the negotiations."

In Japan, however, distrust is increasing in the United State's sloppy inspection system and procedures. The agriculture secretary's remark, under such a situation, defining the volume

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of mixed bones as being within a tolerable range is likely to have some effect on the Japan-US beef talks.

The plant that shipped beef containing banned bones to Hong Kong - owned by Swift Beef Co - had cleared a Japanese government inspection last December to certify beef shipments to Japan. The inspection concluded that the process of removing specified risk materials there had been "properly carried out."

(5) LDP trying to mend relations with the Association of Special Postmasters with eye on elections after Prime Minister Koizumi steps down

YOMIURI (Page 4) (Excerpts)  
March 16, 2006

The Liberal Democratic Party's (LDP) Party Organization Headquarters Chairman Yoshio Yatsu, a former agriculture minister, called on Prime Minister Junichiro Koizumi at his office (Kantei) on Feb. 23, six months after the latest House of Representatives election. Yatsu told Koizumi, "I have something to tell you."

Yatsu told the prime minister about the political maneuvering going on in seeking reconciliation with the Association of Special Postmasters. The relationship between the LDP and the association has deteriorated due to Koizumi's postal-privatization program. Koizumi branded the organization, which has been a strong support group for LDP, as "a force of resistance" since the group stubbornly opposed the privatization bills.

Yachi said to Koizumi:

"Our party needs the organization's support for next summer's House of Councillors elections. The organization's officials came to our party headquarters the other day, following my visit to them. We talked about various matters over dinner."

Koizumi grinned widely and told Yatsu, "That's good. Mr. Yatsu, I will rely on you." He gave Yatsu the go-ahead to repair the deteriorated ties with the postal organization.

A senior LDP lawmaker presumed Koizumi's mind this way:

"The prime minister probably arrived at a conclusion that it would be better for the party to secure cooperation from special postmasters in order to get the postal-privatization process, which will start in October 2007, underway; and that since postal privatization has already been decided, he no longer needs to

attack them."

The LDP engaged in a deadly power struggle in last year's Lower House election. Koizumi fielded candidates against all anti-postal-privatization candidates. The postal association, which supported the anti-privatization candidates, suffered a complete defeat.

The association summed up its relations with the LDP in its general meeting on Nov. 6 after the postal-privatization legislation cleared the Diet that it was unable to continue the relationship with the LDP. It did not invite any LDP Diet members to its regional general meetings held in February across the nation.

Taiju, a political organization composed of retired special postmasters and their family members, also cut its ties with the LDP. Since 95% of the Taiju members did not pay party membership fees, the number of LDP members decreased to a mere 6,157 from the previous year's 114,905.

The organization, however, is unable to work out strategies without the LDP's support. As if to see through the organization's weakness, LDP Upper House Caucus Secretary General Toranosuke Katayama sought to check the organization, saying:

"I understand that the association cannot change its policy immediately. When it considers postal business and post offices in the future, it will receive no benefits if it makes an enemy of the LDP."

Some LDP lawmakers have started to make efforts to restore ties with special postmasters.

In the 1980 Upper House election, an LDP candidate, who was a postal bureaucrat, obtained 1.03 million votes of the postal association and Taiju. The number of votes obtained by LDP candidates decreased to about 480,000 votes in the 2001 Upper House election, and to 280,000 votes in 2004 Upper House election.

The LDP needs such organizations as the postal association and Taiju, which work for the party without pay.

Local assembly members also will need their support for the unified elections to be held in April next year.

Given the circumstances, the LDP is now trying to mend its ties with the association with the unified elections, the Upper House election, and even the next Lower House election in mind.

(6) China's diplomatic maneuvering toward Japan: Putting pressure in political area but enhancing friendship with private sector, aiming for practical gains in energy-saving and environmental areas

SANKEI (Page 2) (Full)  
March 16, 2006

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By Tadashi Ito, Beijing

Putting aside the hope for repairing the currently chilly relations with Japan on the political front, China appears to have decided to strengthen its approaches to the Japanese private sector. As part of this, China has invited leaders of seven pro-China organizations of Japan to visit China. They are scheduled to travel to China late this month. According to a source familiar with Japan-China relations, President Hu Jintao will meet them and emphasize the importance of Japan-China ties and the need for expansion of exchanges especially in economic and trade sectors.

China has concluded that the current strains between Japan and China have been brought about mostly by Prime Minister Junichiro

Koizumi's continued visits to Yasukuni Shrine. But according to the source, China has analyzed from the words and deeds of Chief Cabinet Secretary Shinzo Abe and Foreign Minister Taro Aso that the Yasukuni issue is likely to remain an open question after Koizumi steps down.

China cannot yield on the Yasukuni issue that has become an international issue in that country. On March 7, Foreign Minister Li Zhaoxing during a press conference blasted at Koizumi for his shrine visits. On March 14, Premier Wen Jiabao made a direct reference to the Yasukuni issue unlike a press conference a year ago and stated that as long as the shrine visit continues, mending ties (with Japan) would not realize.

There is a noticeable change in Wen's statements between this year and last year, the source said. At his press conference last year, Wen mentioned three principles for mending fences with Japan: 1) looking toward the future in learning lessons from history; 2) firmly maintaining the one-China principle; and 3) jointly progressing with increased cooperation. This year, Wen pointed out: 1) continuing strategic dialogue; 2) strengthening private-sector exchanges; and expanding economic and trade ties.

Of these three, private-sector exchanges are worth noting as Wen explained that they "will facilitate mutual understanding and trust." The premier mentioned difficulties in repairing relations, but added, "The cause does not lie with the Japanese public," pointing a finger at the leader of Japan.

According to the source, after much discussion since late last year until recently of Japan policy with temporarily recalled Ambassador to Japan Wang Yi, the Chinese government adopted the policy line of enlivening private-sector exchanges as well as enhancing measures for public opinion, including Japanese mass media.

The first action in line with promotion of private-sector exchanges came in the way for the China-Japan Friendship Association to invite leaders of seven Japan-China friendship organizations in Japan to visit China. Reportedly, these leaders have been informally told that they would meet with President Hu Jintao.

Leaders of those seven groups include former Prime Minister Ryutaro Hashimoto (chair of the Association for the Promotion of International Trade, Japan or JAPIT), former Foreign Minister Masahiko Komura (chair of the Japan-China Friendship

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Parliamentary League and former Home Affairs Minister Takeshi Noda (chair of the Japan-China Association). They will arrive in Beijing by March 30 and are expected to meet with President Hu possibly on March 31. Hu as well as Wen is likely to insist on the importance of facilitation of private-sector exchanges.

Before normalizing diplomatic ties with Japan, China adopted a similar approach of promoting private-sector exchanges but pressuring the government. The source explained that Japan's cooperation would be indispensable for China in achieving the targets mentioned in the new five-year plan that covers the period from 2006 through 2010, adopted at the recent National People's Congress meeting, for instance, to attain the goals in the areas of saving-energy and environmental preservation.

According to the source, Japan Business Federation (Nippon Keidanren) Chairman Hiroshi Okuda met with President Hu and Premier Wen last September and referring to development of the western part of China, Okuda proposed cooperation between the government and private sectors in the environmental area. His proposal received high praises from China. With the facilitation of private-sector exchanges, China appears to aim to put pressure on Japan politically but at the same time to gain practical benefits.

(7) Review of small government argument: Eruption of contradictions of market economy

By Takamitsu Sawa, professor at Kyoto University

### Egalitarian society

There is nothing wrong about the structural reform of the Koizumi Cabinet aiming for a small government. However, when it comes to the question of whether everything will be all right if it is left to the private sector to work out, I am afraid that such is not the case. It is necessary to reset a demarcation line between what the government should do and what it should not do.

In the 1958-1973 high growth period, even when fiscal outlays expanded, revenues and expenditures were in balance, because tax revenues made up for the expanded spending. However, since the oil crises (of the 1970s), the growth of the Japanese economy has slowed, but spending has kept growing, putting public finances into the red. Since the Heisei period (1990s) recession kicked in, the economy stopped growing or even moved into the negative territory, necessitating the elimination of wasteful government spending. The Koizumi cabinet was inaugurated in 2001 with such slogans as "small government" and "structural reforms." Such were relevant policy goals.

However, Prime Minister Koizumi was a Margaret Thatcher (former British prime minister) who was 20 years too late. Under Thatcherism, many state-run companies were privatized in Britain. Deregulatory efforts were made unflinchingly. As a result, Britain conquered the so-called British disease and overcome its sluggish economy, but this policy has led to widened income disparity and the deterioration of public education and medical services.

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After the collapse of international socialism, the idea of having a pure market economy became a utopian concept sought during the 1980s and 1990s. There was an assumption at the time that creation of a free competition society characterized by market-based principles would benefit the poor, as well. This assumption, however, turned out to be mistaken. The pursuit of such a society has made the rich even richer and the poor even poorer. Problems with excessive Thatcherism are beginning to erupt in Japan, too.

The 1990s in Japan was called the "lost decade." The nation lost much in this decade. The hardest blow was dealt to traditional virtues, such as diligence, perseverance, serious-mindedness and sincerity, which were all rejected.

When the bubble economy was at its peak, stories of people making profits of tens of millions of yen just by buying and selling land on the phone, were talked about in an affirmative manner. Takafumi Horie, former president of Livedoor, was in his late 'teens in the bubble economy period. He saw many of Japan's traditional virtues cast aside. In my view, the Livedoor incident has ushered in the final act of the negative legacy of the bubble economy. Since the Livedoor scandal, the press has begun to make an issue of the social divide and other negative aspects that accompany a free market economy.

After the war, Japan rushed to rebuild its economy to become an industrialized society, culminating around 1990. Now it has reached the threshold of becoming a post-industrial society. In a post-industrial society, the manufacturing sector would restructure its management by introducing information and technology (IT), and the services sector, such as financial services, telecommunications and information services, would be where the key industries lie. The US maintained prosperity in the 1990s, free from a recession, because it was the first to achieve a post-industrial society. In order for Japan to turn around its economy fully and maintain an annual growth rate at around 3%, it will have to follow the same path as the US did.



However, a post-industrial society is not necessarily a good society. We see in the first decade of this century the contradictions and strains that such a society produces. Economic divides among states and individuals are widening swiftly. Risks and uncertainties are on the increase. Free competition produces only one winner. The quintessential case of this is Microsoft's Windows.

Even if the government strengthens the Anti-Monopoly Law, it will not be able to stem the winner-takes-all trend. Usual methods, such as the redistribution of income by means of the income tax, are not sufficient in correcting income disparity among individual workers. An egalitarian society means a society that does not eliminate anybody.

Jobless people mean people who have the desire to work but are excluded from the workforce. The US society is affluent, but it is said that 17% of Americans are not covered by any health insurance program. Those who work with large companies can subscribe to an insurance scheme at a lower cost, but self-employed persons have to pay higher premiums. In other words, 17% of American people are denied medical services.

It is true that Japan's market economy has aspects that are not

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free, clear or fair. It is necessary to reform the market economy to realize a free, transparent and fair mechanism. At the same time, reform efforts to create a third way of building an equal welfare society, where nobody is denied, must be promoted.

As a feature of a post-industrial society, accounting fraud tends to become rampant, compared with a society based on goods manufacturing. False business transactions by Enron and WorldCom occurred, because distribution of goods is invisible in trade in electricity and information and telecommunications. Anything goes in such industries, if companies collude with accounting firms. The Livedoor incident is a sign of accounting fraud becoming rampant.

Another important role for government to play is to scrupulously monitor whether rules of the market economy are being observed. Those who violate the rules must be punished. Otherwise, a sound market society cannot develop.

Takamitsu Sawa: Born in 1942 in Wakayama Prefecture. Graduated from the Tokyo University Economics Department. Serving as a professor at Kyoto University since 1980, after serving as an associate professor at Illinois University. Kyoto University Economic Research Center since 1990. His works include: "End of Market Economy" and "Prevent Global Warming."

(Interviewer: Economic News Section reporter Shigeki Kurokawa)

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